

City of San Fernando



Public Agency Review



Office of Audit Services

**Employer Code: 0133
Job Number: P09-029**

August 2010

CITY OF SAN FERNANDO

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RESULTS IN BRIEF

We reviewed the City of San Fernando's (City) enrolled individuals, health and retirement contributions, member earnings and required health, retirement and Automated Communications Exchange System (ACES) documentation for employees included in our test sample. A detail of the exceptions is noted in the Risk and Mitigation Table. Specifically, the following exceptions were noted during the review:

- The monetary value of uniforms provided and/or uniform allowance was not reported to CalPERS.
- Non-reportable compensation was incorrectly reported.
- Special compensation was incorrectly reported.
- Retirement contributions were not remitted in a timely manner.
- Temporary/part-time employees were not enrolled when CalPERS membership eligibility was met.
- Balance of unused sick leave was incorrectly reported.
- Required health enrollment forms were not maintained and eligibility verification for a dependent enrolled in CalPERS Health Benefits Program was not provided.
- Health contribution payments were not remitted timely.
- Required ACES user security agreement form was not maintained.

BACKGROUND

The California Public Employees' Retirement System (CalPERS) provides a variety of programs serving members employed by more than 2,500 local public agencies as well as state agencies and state universities. The agencies contract with CalPERS for retirement benefits, with CalPERS providing actuarial services necessary for the agencies to fund their benefit structure. In addition, CalPERS provides services which facilitate the retirement process.

CalPERS Employer Services Division (ERSD) manages contract coverage for public agencies and receives, processes, and posts payroll information. CalPERS Benefit Services Division (BNSD) provides services for eligible members who apply for service or disability retirement. BNSD sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits. The Office of Employer and Member Health Services (EMHS), as part of the Health Benefits Branch (HBB), provides eligibility and enrollment services to the members and employers that participate in the CalPERS Health Benefits Program, including state agencies, public agencies, and school districts.

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Retirement allowances are computed using three factors: years of service, age at retirement and final compensation. Final compensation is defined as the highest average annual compensation earnable by a member during the last one or three consecutive years of employment, unless the member elects a different period with a higher average. State and school members use the one-year period. Local public agency members' final compensation period is three years unless the agency contracts with CalPERS for a one-year period.

The employers' knowledge of the laws relating to membership and payroll reporting facilitates the employer in providing CalPERS with appropriate employee information. Appropriately enrolling eligible employees and correctly reporting payroll information is necessary to accurately compute a member's retirement allowance.

The City of San Fernando was incorporated in 1911 as a General Law City. The City operates under the council-manager form of government and provides community services, public works, community development, police and administrative services. Memoranda of Understanding (MOUs) and employment agreements outline all City employees' salaries and benefits and state the terms of employment agreed upon between the City and its employees.

The City contracted with CalPERS effective October 1, 1946, to provide retirement benefits for local miscellaneous and local safety employees. The City's current contract amendment identifies the length of the final compensation period as twelve months for miscellaneous employees and 36 months for police employees. The City contracted with CalPERS effective December 1, 1971, to provide health benefits for all eligible employees.

SCOPE

As part of the Board approved plan for fiscal year 2009/2010, we reviewed the City's payroll reporting and enrollment processes as these processes relate to the City's health and retirement contracts with CalPERS. The objective of this review was limited to the determination that the City complied with applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the California Code of Regulations and that prescribed reporting and enrollment procedures were followed. The on-site fieldwork for this review was conducted on November 16, 2009, through November 20, 2009.

The review period was limited to the examination of sampled records and processes from July 1, 2006, through June 30, 2009. To accomplish the review objectives, we performed the following:

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- ✓ Reviewed the contract and subsequent amendments the City had with CalPERS, correspondence files maintained at CalPERS, and employment agreements the City had with its employees.
- ✓ Interviewed key staff members to obtain an understanding of the City's personnel and payroll procedures.
- ✓ Reviewed the payroll transactions and compared the City's payroll register with the data reported to CalPERS to determine whether the City correctly reported employees' compensation.
- ✓ Reviewed the City's payroll information reported to CalPERS for the sampled employees to determine whether employees' payrates were reported pursuant to public salary information.
- ✓ Reviewed the City's process for reporting payroll to CalPERS to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed reported payroll to determine whether the payment of contributions and the filing of payroll reports were submitted within the required timeframes.
- ✓ Reviewed the City's enrollment practices pertaining to temporary/part-time employees, retired annuitants, and independent contractors to determine whether the individuals met CalPERS membership requirements.
- ✓ Reviewed the City's classification of employees to determine whether the City reported employees in the appropriate coverage groups.
- ✓ Reviewed the City's process for industrial disability retirement determinations and appeals for local safety members.
- ✓ Reviewed the City's calculation and reporting of unused sick leave balances for retiring members.
- ✓ Reviewed employees and their dependents to determine whether the City properly enrolled eligible individuals into CalPERS Health Benefits Program.
- ✓ Reviewed health contribution payment information to determine whether the City remitted payments within the required timeframe.
- ✓ Reviewed health contribution payments to determine whether the City contributed the correct employee/employer contribution amounts.

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- ✓ Determined whether the City maintained the required user security documents on file and reasonable security procedures were in place for ACES users.

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RISK AND MITIGATION TABLE

In developing our opinions, we considered the following risks and mitigations. We also include our observations and recommendations.

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
1. The City may not accurately report compensation to CalPERS.	<p>We reviewed payroll records and compensation reported to CalPERS for a sample of 21 employees over two service periods. The service periods reviewed were the second service period of July 2008 (7/08-4) and the first service period of June 2009 (6/09-3).</p> <p>The earnings reported to CalPERS were reconciled to the City's payroll records. The City accurately reported compensation to CalPERS in our sample, except for the following:</p> <p><u>Uniform allowance and the monetary value not reported</u></p> <p>The MOU's between the City and its employees stated the City would provide uniforms and/or a uniform allowance to certain employee groups.</p> <p>During our review, the City provided uniforms and/or uniform allowance to employees required to wear uniforms. However, the City did not report to CalPERS the monetary value of uniforms provided to its employees or the uniform allowance. The monetary value of uniforms</p>	<p>The City should report the monetary value of uniforms provided to all employees required to wear uniforms and/or uniform allowance to CalPERS.</p> <p>The City should work with CalPERS ERSD to assess the impact of this non-reporting and</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The City may not accurately report compensation to CalPERS. (continued)</p>	<p>provided to employees required to wear a uniform and/or uniform allowance should be reported to CalPERS as special compensation.</p> <p>Government Code, § 20636(c)(6), states, in part, “The board shall promulgate regulations that delineate more specifically and exclusively what constitutes ‘special compensation’ as used in this section. A uniform allowance, the monetary value of employer-provided uniforms...shall be included as special compensation.”</p> <p>California Code of Regulations, § 571(a)(5), defines uniform allowance as, “compensation paid or the monetary value for the purchase, rental and/or maintenance of required clothing, including clothing made from specially designed protective fabrics, which is a ready substitute for personal attire the employee would otherwise have to acquire and maintain. This excludes items that are solely for personal health and safety such as protective vests, pistols, bullets, and safety shoes.”</p> <p><u>Non-reportable compensation reported</u></p> <p>The City incorrectly reported non-reportable compensation items for a sampled employee. Specifically the City paid and erroneously reported parking meter administrator pay,</p>	<p>determine what adjustments, if any, are needed.</p> <p>The City should stop reporting non-reportable compensation items to CalPERS.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The City may not accurately report compensation to CalPERS. (continued)</p>	<p>redevelopment treasurer pay, and city treasurer pay in an employee's base payrate and regular earnings. Parking meter administrator pay, redevelopment treasurer pay, and city treasurer pay do not meet the definition of reportable compensation.</p> <p>Government Code, § 20636(b)(1), defines payrate as, "the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours."</p> <p>California Code of Regulation, § 571(a), exclusively identifies and defines special compensation items. This regulation does not include parking meter administrator pay, redevelopment treasurer pay, or city treasurer pay as reportable items of special compensation.</p>	<p>The City should work with CalPERS ERSD to assess the impact of this incorrect reporting and determine what adjustments, if any, are needed.</p> <p>A Confidential list identifying the employee mentioned in this section of the report has been sent to the City and CalPERS ERSD as an attachment to our draft report.</p>
<p>2. The City may not report payrates in accordance with publicly available salary schedules.</p>	<p>We reviewed payrates reported to CalPERS and reconciled the payrates to the City's public salary information to determine whether payrates for the sampled employees were properly authorized and reported to CalPERS.</p> <p>All sampled employees' reported payrates were within the City's salary schedules except as noted in Risks #1 and #3.</p>	<p>None.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>3. The City may not accurately report payroll information to CalPERS.</p>	<p>We reviewed the payroll information reported to CalPERS for the 7/08-4 and 6/09-3 service periods. Our sample testing revealed that the City correctly reported payroll information to CalPERS except that the City incorrectly included items of special compensation in the reported base payrate and regular earnings for 19 sampled employees. Specifically, the City incorrectly added bilingual pay, POST pay, longevity pay, and shift pay to the employees' reported base payrates and regular earnings. Special compensation must be reported separately from regular compensation.</p> <p>Government Code, § 20636(a), states, in part, "Compensation earnable by a member means the payrate and special compensation of the member."</p> <p>Government Code, § 20636(b)(1), states, in part, "Payrate means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours."</p> <p>Government Code, § 20636(c)(1), states, in part, "Special compensation of a member includes a payment received for special skills, knowledge, abilities, work assignments workday or hours or other work conditions."</p>	<p>The City should report items of special compensation separately from base payrate and regular earnings.</p> <p>The City should work with CalPERS ERSD to assess the impact of this incorrect reporting and determine what adjustments if any are needed.</p> <p>A confidential list identifying the employees mentioned in this section of the report has been sent to the City and CalPERS ERSD as an appendix to our draft report.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>4. The City may fail to or did not submit payroll in a timely manner to CalPERS.</p>	<p>We reviewed payroll information for service periods 8/08-5, 12/08-4 and 6/09-3 to determine whether the City submitted payroll information within the required timeframes.</p> <p>Payroll information consists of contribution payments and CalPERS summary and listing reports. Contributions must be paid within 15 days of the close of the pay period. The required timeframe to submit summary and listing reports to CalPERS is no later than 30 days after the close of the pay period. Our testing revealed the following:</p> <p>Service Period 8/08-5: Retirement contributions, due by September 13, 2008, were paid late on March 2, 2009. The summary report, due by September 29, 2008, was submitted late on February 24, 2009.</p> <p>Service Period 12/08-4: Retirement contributions, due by January 3, 2009, were paid late on March 27, 2009. The summary report, due by January 18, 2009, was submitted late on March 20, 2009.</p> <p>Service Period 6/09-3: Retirement contributions, due June 20, 2009, were paid late on June 24, 2009. However, the summary report, due by July 5, 2009, was submitted timely on June 16, 2009.</p>	<p>The City should develop procedures to ensure that contributions and payroll reports are submitted timely.</p> <p>The City should work with CalPERS ERSD to assess the impact of this late reporting and determine what adjustments, if any, are needed.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>4. The City may fail to or did not submit payroll in a timely manner to CalPERS. (continued)</p>	<p>California Code of Regulations, § 565, states, "Member and employer contributions shall be received in the System's Sacramento office on or before 15 calendar days following the last day of the pay period to which they refer."</p> <p>California Code of Regulations, § 565.1(a), states, "A complete and orderly payroll report for each pay period shall be filed with the System at its Sacramento office on or before 30 calendar days following the last day of the period to which it refers."</p>	
<p>5. The City may not enroll all eligible employees into CalPERS membership.</p>	<p><u>Optional Membership</u></p> <p>The City's elected officials were eligible for optional CalPERS membership. We reviewed the City's enrollment practices to determine whether the elected officials were offered optional membership. Our sample testing revealed that the City properly offered and enrolled the sampled officials into CalPERS membership.</p> <p><u>Temporary/Part-time Employees</u></p> <p>We reviewed the hours worked by a sample of 25 temporary/part-time employees during fiscal years 2007/2008 and 2008/2009 to determine whether they met CalPERS membership eligibility, and, if so, were timely</p>	<p>None.</p> <p>The City should review the hours worked by temporary/part-time employees in a fiscal year and enroll eligible employees into</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The City may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>enrolled into CalPERS membership. The City did not correctly enroll eligible temporary/part-time employees in 22 instances. Specifically, we identified the following:</p> <ul style="list-style-type: none"> Seventeen temporary/part-time employees who met CalPERS eligibility by working 1,000 hours or more in a fiscal year had not been enrolled into CalPERS membership as of the date of the review. The hours worked exceeded the 1,000 hour criterion from 2.25 hours to as many as 1,164 hours. Three part-time employees who met CalPERS eligibility were enrolled into CalPERS membership; however, they were enrolled late. Employees should be enrolled into CalPERS membership effective no later than the first day of the next pay period after eligibility is met. Two temporary/part-time employees working for the City had prior CalPERS membership; however, the City did not enroll or report the employees' earnings to CalPERS in a timely manner. <p>Government Code, § 20305, states, in part, "(a) An employee whose appointment or employment contract does not fix a term of full-time, continuous employment in excess of six months is excluded from this system unless: (1) He or she is a member at the time he or she renders</p>	<p>CalPERS membership. To identify eligible employees, the City should implement procedures to monitor the hours worked by temporary/part-time employees.</p> <p>The City should work with CalPERS ERSD to assess the impact of not timely enrolling eligible employees upon hire or effective date and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employees mentioned in this section of the report has been sent to CalPERS ERSD as an appendix to our draft report.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
5. The City may not enroll all eligible employees into CalPERS membership. (continued)	<p>that service and is not otherwise excluded pursuant to this article or by a provision of a contract....(3)(B) The person completes...1,000 hours within the fiscal year, in which case, membership shall be effective not later than the first day of the first pay period of the month following the month in which...1,000 hours of service were completed.”</p> <p><u>Independent Contractor</u></p> <p>We reviewed the City’s IRS 1099 Miscellaneous Income forms for calendar years 2007 and 2008 in order to identify employees that may be misclassified as independent contractors. The selected individuals were properly classified as independent contractors and correctly excluded from CalPERS membership.</p>	None.
6. The City may unlawfully employ retired annuitants.	We reviewed various City records to determine whether the City employed retired annuitants during the review period. We noted no instances in which the City employed retired annuitants during the review period.	None.
7. The City may not appropriately report members under the proper coverage group code.	Our sample testing revealed that the City reported members under the appropriate coverage group code.	None.

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
8. The City may not appropriately process industrial disability retirement determinations and appeals for safety members.	We reviewed the City's procedures for processing applications for industrial disability retirement for safety members. We determined that the City had appeals procedures in place and made a determination within the required time frame for a safety member that retired during the review period.	None.
9. The City may not accurately report unused sick leave balances for retiring CalPERS members.	<p>Effective July 1, 2005, the contractual provision of Government Code, § 20965, credit for unused sick leave, became a mandated benefit for the City. We selected a sample six members that retired during the review period to determine whether the City accurately reported the retiring members' unused sick leave balances. We found that while the City properly computed the unused sick leave hours to days by using a divisor of eight, the City did not accurately report the resulting number of days to CalPERS for two of the six sampled members.</p> <p>Retiring members can either cash out unused sick leave or convert it to additional service credit. Our sample testing revealed that the two members cashed out their unused sick leave balance, but the sick leave was erroneously reported to CalPERS for additional service credit, thus, overstating the unused sick leave balances of the two retiring members.</p> <p>Government Code, § 20965, states, "A local</p>	<p>The City should ensure that retiring members' unused sick leave balances are properly reported to CalPERS.</p> <p>The City should work with CalPERS BNSD to determine the impact of this incorrect reporting and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the members mentioned in this section of the report has been sent to the City and CalPERS BNSD as an appendix to our draft report.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>9. The City may not accurately report unused sick leave balances for retiring CalPERS members. (continued)</p>	<p>miscellaneous member and a local safety member, whose effective date of retirement is within four months of separation from employment with the employer which granted the sick leave credit, shall be credited at his or her retirement with 0.004 year of service credit for each unused day of sick leave certified to the board by his or her employer. The certification shall report only those days of unused sick leave that were accrued by the member during the normal course of his or her employment and shall not include any additional days of sick leave reported for the purpose of increasing the member's retirement benefit. Reports of unused days of sick leave shall be subject to audit and retirement benefits may be adjusted where improper reporting is found."</p>	
<p>10. The City may not properly enroll eligible employees and their dependents in health benefits.</p>	<p>We reviewed a sample of 11 employees to assess the health benefits eligibility and enrollment of employees and their dependents. Our sample testing revealed that the City properly enrolled eligible employees and their dependents in CalPERS Health Benefits Program except for the following:</p> <p>The City did not provide the required Declaration of Health Coverage (HB-12A) forms for six of the eleven sampled employees and did not provide the Health Benefit Plan Enrollment (HBD-12) form for one of the eleven sampled employees. Additionally, the City did not provide a birth</p>	<p>The City must ensure that the proper employee and dependent enrollment documentation is on file at the City within 60 days from the date of our final report.</p> <p>Please send an email to <i>HBB_Audit_Services@Calpers.ca.gov</i> once the requested information is on file.</p> <p>The CalPERS HBB may be</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>10. The City may not properly enroll eligible employees and their dependents in health benefits. (continued)</p>	<p>certificate to verify dependent eligibility for a dependent enrolled under one employee's health benefits. The City provided the required forms for the remaining sampled employees.</p> <p>Government Code, § 22775, defines family member as, "an employee's or annuitant's spouse or domestic partner and any unmarried child, including an adopted child, a stepchild, or recognized natural child."</p> <p>California Code of Regulations, § 599.500, states, "(f) 'Enroll' means to file with the employing office a properly completed Health Benefits Enrollment Form electing to be enrolled in a health benefits plan."</p> <p>California Code of Regulations, § 599.500, states, "(k) 'Eligible' means eligible under the law and this subchapter to be enrolled....(n) A child attains the status of 'family member' at birth...."</p> <p>The HB-12A provides information on enrollment options and consequences for non-enrollment and is to ensure compliance with the Health Insurance Portability and Accountability Act (HIPAA). Effective January 1, 1998, each employee must sign the HB-12A when they are first eligible to enroll or when they make any change to their</p>	<p>contacted at (916) 795-3836 with any questions.</p> <p>A confidential list identifying the employees mentioned in this section of the report has been sent to the City and CalPERS HBB as an appendix to our draft report.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
10. The City may not properly enroll eligible employees and their dependents in health benefits. (continued)	<p>health coverage. This includes open enrollment changes, changing health plans when moving, adding or deleting a dependent, or canceling health benefits. The employer must provide the HB-12A at the time the employee requests enrollment or with the HBD-12. The employer also must provide the employee a copy of the signed form and keep the original in the employee's file.</p> <p>Government Code, § 20085, states, in part, "(a) It is unlawful for a person to do any of the following: (1) Make, or cause to be made, any knowingly false material statement or material representation, to knowingly fail to disclose a material fact, or to otherwise provide false information with the intent to use it, or allow it to be used, to obtain, receive, continue, increase, deny, or reduce any benefit administered by this system. (b) For purposes of this section, 'statement' includes, but is not limited to, any oral or written application for benefits, report of family relationship..., or continued eligibility for a benefit or the amount of a benefit administered by this system. (c) A person who violates any provision of this section is punishable by imprisonment in a county jail not to exceed one year, or by a fine of not more than five thousand dollars (\$5,000), or by both that imprisonment and fine. (d) A person violating any provision of this section may be required by the court in a criminal action to make</p>	

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
10. The City may not properly enroll eligible employees and their dependents in health benefits. (continued)	restitution to this system...for the amount of the benefit unlawfully obtained."	
11. The City may not contribute the appropriate health contribution amounts for active employees.	We reviewed the health contributions reported for July 2008 and June 2009. We determined that the City contributed the appropriate health contribution amounts as part of the sampled employees' total monthly contribution amount.	None.
12. The City may not remit health contributions within the required timeframe.	<p>We reviewed the health contributions remitted for November 2008 and April 2009 to determine whether the City remitted the health contribution payments within the appropriate timeframe. Health contributions are due no later than the 10th day of the month to CalPERS. The health contributions were not remitted timely.</p> <ul style="list-style-type: none"> • The November 2008 health contribution payment, due November 10, 2008, was paid four days late on November 14, 2008. • The April 2009 health contribution payment, due April 10, 2009, was paid four days late on April 14, 2009. 	The City should develop procedures to ensure health contribution payments are submitted to CalPERS in a timely manner.

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
12. The City may not remit health contributions within the required timeframe. (continued)	California Government Code § 22899 (a), states, "The contributions required of a contracting agency, along with contributions withheld from salaries of its employees, shall be forwarded monthly, no later than the 10th day of the month for which the contribution is due."	
13. The City may not maintain appropriate ACES security procedures.	<p>We reviewed the security procedures for the City's ACES user to determine whether reasonable security precautions were maintained and to determine whether the required security documents were properly completed and filed.</p> <p>We determined that the City maintained reasonable security precautions. However, the City did not properly maintain an ACES security agreement for the one employee who utilized the ACES reporting system. Specifically, the Employer User Security Agreement (AESD-43) form for the employee utilizing the reporting database could not be located. A new agreement was completed for this employee during our on-site field visit.</p> <p>CalPERS ACES security procedures require agencies to keep a signed copy of security documents on file for ACES users. An AESD-43 must be completed for each employee using CalPERS on-line access and be available to CalPERS upon request. Forms must be retained in a secure work site location of the employer, for the life of the Agreement and for two years following the deactivation or</p>	<p>The City should ensure appropriate procedures are followed to assure the security of CalPERS on-line system. An AESD-43 form should be completed for any employee who has access to ACES and the Agreement should be retained in a secure worksite location for the life of the Agreement and for two years following the deactivation or termination of the Agreement.</p> <p>The City should work with CalPERS ERSD to assess the impact, if any, of this lack of documentation.</p> <p>A confidential list identifying the employee mentioned in this section of the report has been</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
13. The City may not maintain appropriate ACES security procedures. (continued)	termination of the Agreement. CalPERS is to be notified immediately in the event that any of its sensitive or confidential information is subjected to unauthorized disclosure, modification or destruction.	sent to the City and CalPERS ERSD as an appendix to our draft report.

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CONCLUSION

We limited this review to the areas specified in the scope section of this report. We limited our test of transactions to samples of the City's payroll reports and personnel records. The sample testing procedures provide reasonable, but not absolute, assurance that these transactions complied with the California Government Code, except as noted above.

Respectfully submitted,

Margaret Junker, CIA, CPA, CIDA
Chief, Office of Audit Services

Date: August 2010

Staff: Michael Dutil, CIA, Senior Manager
Jacque Conway, CIA, CPA, CGFM, Manager
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APPENDIX A

STATUS OF PRIOR REVIEW

**FOLLOW UP ON PRIOR REVIEW FINDINGS
CITY OF SAN FERNANDO EMPLOYER CODE 0133
PRIOR REVIEW P00-046, DATED APRIL 2002**

<i>Prior Review Finding</i>	<i>Prior Review Recommendation</i>	<i>Status of Prior Recommendation</i>
1. Payroll reporting error.	The City should ensure that special compensation items, like longevity pay, are reported separately as items of special compensation or as part of the payrate.	<p>Similar finding noted in the current report. Uniform allowance and/or the benefit of uniforms provided, a special compensation item, was not reported on behalf of City employees.</p> <p>Effective January 19, 2005, CalPERS changed the method of reporting compensation requiring that special compensation be reported separately from regular compensation.</p>
2. Employee not enrolled in a timely manner.	The City should review the hours worked by all temporary/part-time employees during the fiscal year subsequent to the audit period and enroll those that meet membership eligibility criterion.	Similar finding noted in the current report. Several temporary/part-time employees met membership eligibility criterion but were not enrolled.
3. Compensation reported incorrectly	<p>The City should ensure that only the appropriately approved payrates and special compensation are reported.</p> <p>Note: The City had incorrectly reported final settlement pay for a retiring member.</p>	Similar finding noted in the current report. Non-reportable compensation was incorrectly reported for a sampled employee.

Conclusion: The City did not implement the recommendations of our prior review dated April 2002.

APPENDIX B

CITY'S WRITTEN RESPONSE



CITY OF
San Fernando
Historic & Visionary

June 29, 2010

Office of Audit Services
PO Box 942701
Sacramento, CA 94229-2701

Dear Ms Junker:

We have reviewed the draft report dated June 8, 2010, and our written responses follow in the body of this letter.

Risk 1: Compensation Reporting

Uniform Allowance

The uniform allowance and monetary value are currently reported to CalPERS. These were paid through Accounts Payable in the past, but this has been corrected and is therefore no longer a risk and should not be included in the report.

Non-reportable compensation reported

The pay to this individual is still being reported and the City will need to work with the ERSD (need contact information) to correct this.

Risk 3: The City may not accurately report payroll information to CalPERS

The City reports the information accurately, but the placement on the report needs to be corrected. The City will work with the ERSD to correct this.

Risk 4: The City may fail to or did not submit payroll in a timely manner to CalPERS

The City paid an early pre-payment of \$1,700,560 to obtain savings and was only late with the supplemental payments. This late reporting has already been taken care of with CalPERS personnel and no penalties were assessed. The City has not done a pre-payment in the current year and all payments are submitted bi-weekly. This is not longer a risk and should not be included in the report.



Risk 5: The City may not enroll all eligible employees into CalPERS membership

Temporary/Part-time Employees

Going forward, the City will enroll any employees who exceed the 1,000 hour rule into the CalPERS system. The City will have to work with the ERSD to assess the impact of not timely enrolling eligible employees.

Risk 9: The City may not accurately report unused sick leave balance for retiring CalPERS members

The City follows procedures to ensure that the unused sick leave balance is properly reported to CalPERS. The two individual noted were the exception. The City will work with the BNSD to determine the impact of this incorrect reporting.

Risk 10: The City may not properly enroll eligible employees and their dependents in health benefits

The City enrolled all eligible employees and dependents but failed to obtain HB-12A forms. These forms were obtained before the field work was complete so this risk has been corrected and should not be included in the report.

Risk 12: The City may not remit health contributions within the required timeframe

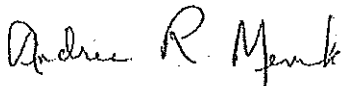
All health contributions are currently mailed by the 6th of the month. We will mail them by the 2nd to insure that they reach CalPERS by the 10th of the month.

Risk 13: The city may not maintain appropriate ACES security procedures

The City does maintain appropriate ACES security procedures with only one user having access to the systems. The deficiency lies in the fact the proper paperwork was not maintained. This was corrected before field work was completed and therefore should not be included in the report.

Please phone or email me if you have questions.

Thanks,



Andrea R. Mevik
Senior Accountant

Cc: Al Hernandez, Finance Manager